



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Grant Funded Organizations Federal Audit Compliance

*Most County Subrecipients Comply
with Audit Requirements*

July ■ 2012

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

Audit Team Members

Richard Chard, CPA, Deputy County Auditor
Christina Black, CIA, CGAP, Audit Supervisor
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"Do the Right Things Right!"



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July 20, 2012

Max W. Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We have completed our annual Single Audit compliance review of federal grant funds distributed through Maricopa County to various subrecipients. This review was performed in accordance with the Board of Supervisors' approved audit plan.

We determined that 40 of 41 organizations receiving federal funds through Maricopa County complied with Single Audit Act requirements. One organization was overdue in submitting its required Single Audit Report.

We reviewed all audit findings and reported them to the appropriate County agencies for follow-up.

This report includes an executive summary, introduction, and detailed findings. If you have any questions about this information, please contact Richard Chard at 602-506-7539, or me at 602-506-1585.

Sincerely,

A handwritten signature in dark ink that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

We determined that 72 subrecipients received federal funds through Maricopa County. Of the 72 subrecipients, we identified 41 that met the threshold for required Federal Single Audit Act reporting. We received 68 audit reports from these subrecipients. Our review confirmed that all reports we received met the requirements of the Single Audit Act. The report of one subrecipient was overdue and not reviewed.

We noted that 42 of 68 audit reports contained 121 findings related to federal grant compliance and internal controls. We reported these findings to the appropriate County agencies for follow-up. County agencies are required to issue a management decision related to the audit findings and ensure subrecipients take appropriate and timely corrective action.

Introduction

Background

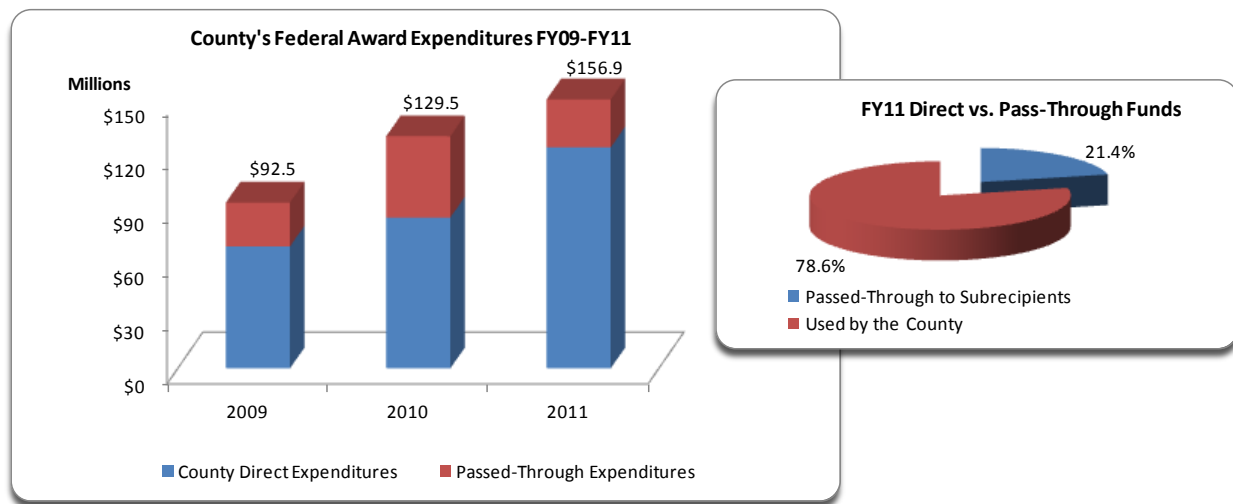
In 1984, the United States Congress passed the Single Audit Act to consolidate a fragmented and inefficient approach to auditing federal grants. The Federal Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the Single Audit Act. Currently, non-federal entities that expend \$500,000 or more in federal assistance in a fiscal year are required to undergo a comprehensive financial and compliance audit each year (referred to as a Single Audit).

OMB Circular A-133 defines a *subrecipient* as “an organization that receives federal financial assistance to carry out a program” from a primary recipient or other subrecipient. A *pass-through entity* is a primary recipient or subrecipient that passes federal grant funds through to subrecipients.



The County's expenditures of federal awards increased from \$92.5 million in Fiscal Year (FY) 2009, to \$156.9 million in FY11. Twenty County agencies spent \$156.9 million in federally-awarded grant funds in FY11. Of the \$156.9 million, the County passed through \$33.6 million to cities, charitable organizations, and service foundations.

Federal Grant Funds Used and Distributed by the County



General Requirements

Annually, primary recipients and subrecipients that exceed the \$500,000 “grant funds expended” threshold must engage independent auditors to conduct audits according to the Single Audit Act. The auditors perform uniform audit procedures established by the Single Audit Amendment of 1996 and produce a Single Audit reporting package that includes the following:

- Independent Auditor's Report
- Audited Financial Statements
- Schedule of Expenditures of Federal Awards
- Report on Compliance and Internal Control over Financial Reporting
- Report on Compliance with Requirements Applicable to Each Major Program
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan (if appropriate)

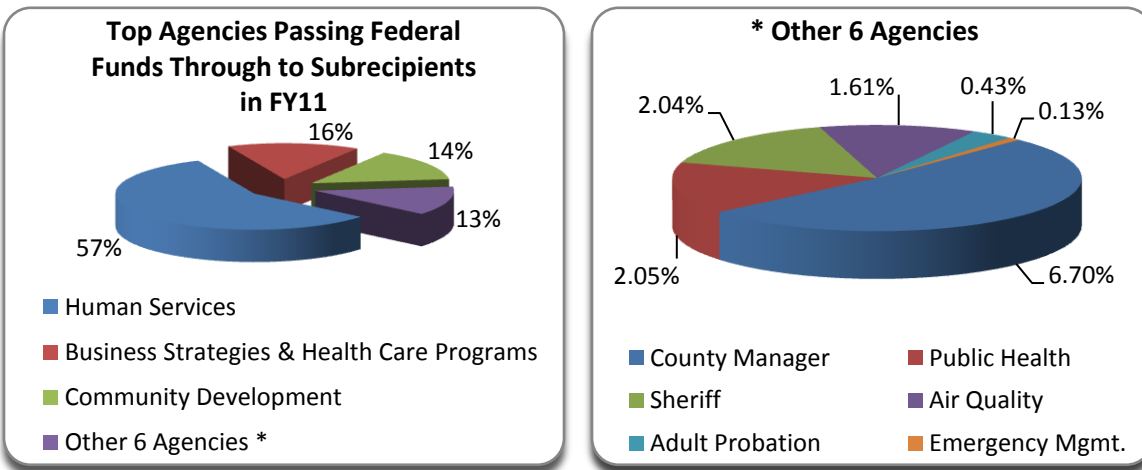
When an auditor's report identifies findings related to the federal award, the pass-through entity must issue a management decision on the findings within six months of receiving the reporting package. The entity also ensures that the subrecipient take appropriate corrective action.

Agencies Reviewed

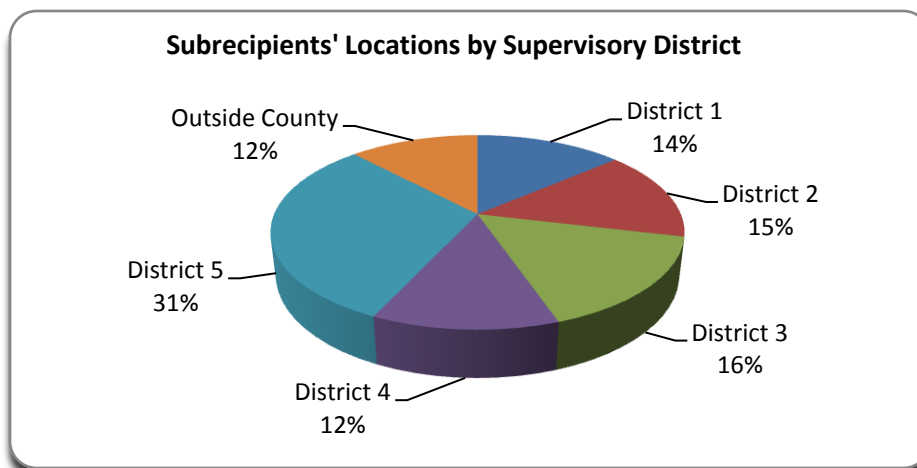
As reported by the County's financial system and unaudited *Schedule of Expenditures of Federal Award*, the following nine County agencies passed through \$33.6 million in federal grant funds to subrecipients in FY11.

- Adult Probation (APD)
- Air Quality (AQD)
- Business Strategies & Health Care Programs (BSHCP)
- Community Development (CD)
- County Manager (CM)
- Emergency Management (EMD)
- Human Services (HSD)
- Public Health (PHD)
- Sheriff (MCSO)

The following charts show each agency's portion of total grant funds passed through to subrecipient organizations in FY11.



Subrecipient organizations spending County passed-through federal funds have headquarters or satellite offices in the following Board of Supervisor districts.



Independent Auditors' Findings

Summary

We reviewed 68 subrecipients' Single Audit reports in accordance with the Federal Single Audit Act. Out of 68 audit reports, 42 had 121 findings, related to federal grant compliance or internal controls. We reported these findings to appropriate County agencies. These County agencies are required to issue a management decision related to the audit findings and ensure subrecipients take appropriate and timely corrective action.

Criteria

The Single Audit Act of 1984 and OMB Circular A-133 require subrecipients meeting the \$500,000 federal awards expenditure threshold to have a Single Audit report completed by an independent auditor.

The auditor is required to report financial control weaknesses or non-compliance as findings in a *Schedule of Findings and Questioned Costs*. The Governmental Auditing Standards' finding classifications include the following three categories.

- A **Material Weakness** is a significant deficiency, or combination of deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements or material noncompliance with a federal program will not be prevented or detected by the entity's internal controls.
- A **Significant Deficiency** is a deficiency in internal control, or combination of internal controls, that adversely affect the entity's ability to process and record data and financial information or to administer a federal program. If a significant deficiency exists, there is more than a remote likelihood that a material misstatement or noncompliance with a federal program will not be prevented or detected by the entity's internal controls.
- A **Control Deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements or noncompliance with a federal program on a timely basis and are typically communicated in a separate management letter.

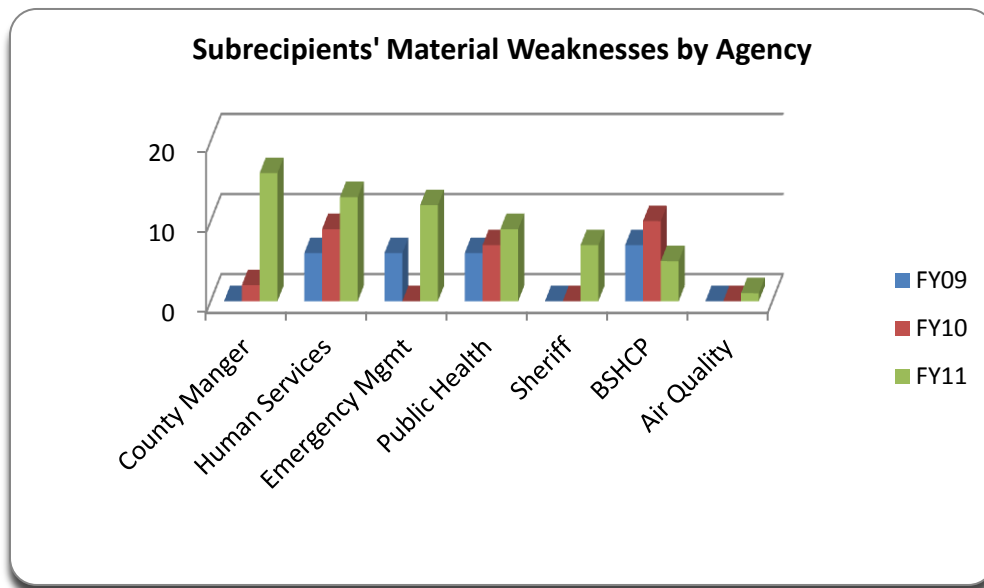
Condition

We determined that 72 subrecipients received federal funds from Maricopa County pass-through distributions. Of the 72 subrecipients, we identified 41 subrecipients that were required to comply with the Single Audit Act reporting requirements.

We received 68 reports (includes prior year reports) from these subrecipients for the period since our last review in January 2011. We determined that 40 of 41 subrecipients included in our review complied with Single Audit Act requirements. One subrecipient was overdue in submitting its required Single Audit Report. The following table displays the review status of required Single Audit Reports.

Status of Subrecipient Single Audit Reports	
Single Audit Reports Reviewed	68
Reports Due by September 30, 2012 (not reviewed; follow-up will occur in FY13)	6
Overdue Report (not reviewed; follow-up will occur in FY13)	1
Total Required Reports for 41 Subrecipient Organizations	75

From the 68 audit reports we reviewed, 42 had 121 audit findings, related to federal grant compliance or internal controls. Of the 121 findings, 37 were material weaknesses. We reported these findings to the appropriate County agencies so they could determine whether the findings impacted any of the grant funds they distributed.



The following pages provide a summary of finding types by subrecipient name. Description of each finding is available upon request.

Summary of Findings Legend
AQD = Air Quality
BSHCP = Business Strategies & Health Care Programs
CM = County Manager
EMD = Emergency Management
HSD = Human Services
PHD = Public Health
MCSO = Sheriff

Summary of Findings Reported in Single Audit Reports					
Subrecipient Name (FY11 unless indicated)	Agency Passing Through Funds	Material Weakness	Significant Deficiency	Control Deficiency	Total
Adelante Healthcare, Inc (formally Clinica Adelante, Inc) (11/30/10)	PHD	0	0	2	2
Arizona Call-A-Teen Resources	HSD	0	1	0	1
Arizona Meth Project (12/31/10)	CM	6	0	0	6
Catholic Healthcare West	PHD	0	0	4	4
Catholic Healthcare West (6/30/10)	PHD	1	6	1	8
Chicanos Por La Causa, Inc.	BSHCP	0	1	0	1
Chicanos Por La Causa, Inc. (6/30/10)	BSHCP	2	0	0	2
City of Avondale	HSD, MCSO, PHD	1	0	0	1
City of Avondale (6/30/10)	CM, EMD, HSD, PHD	1	1	0	2
City of Glendale	CM, PHD	0	2	0	2
City of Glendale (6/30/10)	CM, HSD, PHD	0	2	1	3
City of Mesa	CM, MCSO, PHD	2	9	0	11
City of Mesa (6/30/10)	CM, EMD, PHD	3	4	1	8
City of Phoenix	CM, EMD, HSD, MCSO, PHD	0	1	4	5
City of Phoenix (6/30/10)	CM, EMD, PHD	0	2	2	4
City of Scottsdale	EMD	4	2	0	6
City of Surprise (6/30/10)	CM, EMD	1	2	0	3
City of Tolleson (6/30/10)	CM	0	0	2	2
City of Tucson	MCSO	0	1	0	1
Community Legal Services & HIV/AIDS Law Project	BSHCP, HSD	0	1	0	1
Community Services of Arizona (6/30/10)	HSD	4	0	0	4
Ebony House	BSHCP	0	2	0	2
Ebony House (6/30/10)	BSHCP	1	4	0	5
FSL Home Improvements	HSD	0	3	0	3

Summary of Findings Reported in Single Audit Reports					
Subrecipient Name (FY11 unless indicated)	Agency Passing Through Funds	Material Weakness	Significant Deficiency	Control Deficiency	Total
FSL Home Improvements (6/30/10)	HSD	0	1	0	1
FSL Programs	HSD	0	3	0	3
FSL Programs (6/30/10)	HSD	0	1	0	1
Jewish Family & Children's Services, Inc (6/30/10)	BSHCP	0	0	1	1
Maricopa County Special Health Care District (MIHS)	BSHCP, PHD	0	0	1	1
Maricopa County Special Health Care District (MIHS) (6/30/10)	BSHCP, PHD	0	1	0	1
Mountain Park Health Center	PHD	0	1	0	1
Mountain Park Health Center (11/30/10)	PHD	1	1	0	2
Phoenix Shanti Group, Inc (12/31/10)	BSHCP	2	1	0	3
State of Arizona – Dept. of Correction & Dept. of Health Services (6/30/10)	BSHCP, PHD	0	1	0	1
Town of Buckeye	HSD, MCSO	4	3	0	7
Town of Buckeye (6/30/10)	CM, EMD, HSD	3	0	0	3
Town of Gilbert	EMD	0	2	0	2
Town of Guadalupe	HSD	0	2	1	3
Valle del Sol	HSD	0	1	0	1
Valle del Sol (6/30/10)	HSD	0	1	0	1
Valley Metro/Regional Public Transportation Authority	AQD	1	0	0	1
Valley Metro/Regional Public Transportation Authority (6/30/10)	AQD	0	1	0	1
Totals		37	64	20	121